FUELING SALES THROUGH A BETTER ENVIRONMENT

by Steve Brown

It is the end of March, 1 quarter is now down for the year and you are 25% through your budget - How are you doing? If you are not where you want to be, now is a good time to step back and take a look, hold another strategic planning meeting (because planning is more than just a 1x per year thing) and assess the situation. If you have the right strategy and the right tools to monitor performance, it is likely you will arrive at the conclusion that you are just not generating enough loan growth and your sales force needs help. At this point, many banks will go to the logical next step and bring in a sales trainer. If this is you, we suggest you hold off, because you should know that our data shows 80% of banks that hire sales coaches see no material change on post coaching performance.

We have nothing against sales coaching, as we hire them as well. Our point today is that all the coaching and all the tools in the world won't drive your bank to a high ROE if you don't have the right environment. Fortunately, the right environment can start in the next 5 minutes after you get done reading this morning and you make the commitment to improve your organization. In short, the right environment is one where you are clear, consistent, supportive, rewarding and are willing to measure/manage effectiveness. For insight, here are some items that we see at high performing banks with a sales environment:

1. Are sales goals "SMART" - While many banks don't even have sales goals for their business development managers, most high performing banks do. Having goals not only matters, but the quality of goals also plays a role. Goals need to be Specific, Measurable, Attainable, Relevant and Time-bound.

2. Standards & Consequences - Is everyone in the organization clear on acceptable standards and are the standards within a tight range? Once goals are set, it is important to know what happens when you meet them and what happens when you don't. The difference between success and failure should be clear. It sounds harsh, but the problem that many banks have is that they let average performers hide in that middle ground between success and failure. For clarity and consistency, there can only be 2 outcomes - you either meet your goals and you are a sales success or you don't. Further, everyone in the bank should not only know who the best sales people are, but everyone should know they are rewarded well. Compensation should be aligned with performance, so the consequences of achievement are clear. For those that don't meet their goals, a plan should already be in place to help them improve or be managed out.

3. Leadership - This one is easy, as we have never found a high performing bank without superior leadership at the top. You should make no bones about it that driving a sales organization is a top down effort and something you desire. If you have right people in the right environment, success is almost guaranteed. To put both in place, you need strong leaders. For banks seeking sales training, we recommend saving money and spending it on leadership training.

If you make the commitment to improve the above 3 items, you should see improvement. Great sales people are usually great in any environment, so the trick is to turn the bulk of your employees into superior performers. Creating at sales culture and good environment should come before sales training; otherwise you might be wasting an investment. The right environment is why college basketball is good in March or why more world records get broken at the Olympics. Those environments are such that every coach, player and support person is clear on what needs to be achieved and are hyper focused on making that happen. Now, with 3 more quarters to go, are you ready to bring your organization to the next level?

BANK NEWS

SBLF Extended

The Treasury has extended the deadline for Subchapter C corporations to apply for the Small Business Lending Fund to May 16 (previous deadline was today). Application materials still are not available for Subchapter S corporations, mutual institutions and community development loan funds (those institutions will have separate deadlines).

Fraud Risk

FINCEN is reporting that SARs reports by banks nearly tripled on CRE loan activities between 2007 and 2010, the period it studied. The top 5 descriptions (by activity in 2010) were related to false documents (51%); misappropriation of funds (27%); bank insider collusion (13%); false statements (10%) and non-disclosure to the lender (19%). Meanwhile, the top 3 (by loan size in 2010) were less than $1mm (46%), $1mm to $2mm (15%) and $2mm to $3mm (7%).

Compensation Regulation

Banking regulators have issued a proposed rule that would implement risk-based principles for incentive compensation agreements at banks with $1B or more in assets. The proposal would require banks have policies and procedures to ensure compliance and submit an annual report to their federal regulator describing the structure of their incentive compensation arrangements, among other factors.